

Notes for Operating Reserves Work Group February 6, 2003

Andy Law offered the following as a summary of issues for the Sub-Group he is leading to pursue:

- A. Motivation For Developing an Operating Reserve Market
 - a. Efficiency
 - b. Encourage New Resources
 - c. FERC
- B. Broad Grouping of Operating Reserve Suppliers
 - a. Control Area in NWPP Reserve Sharing Group
 - b. IPP Load in a Control Area in NWPP Reserve Sharing Group
 - c. Control Area Outside NWPP Reserve Sharing Group
 - d. IPP/Load Outside NWPP Reserve Sharing Group
- C. Issue of Performance
 - a. Performance of 16 Control Areas in NWPP Reserve Sharing Group should not raise new concerns about performance
 - b. The NWPP Reserve Sharing Group should be proactive in creating standards of performance for loads and IPP's that wish to supply OR. To do otherwise will leave us exposed to the mandates of FERC.
 - c. Example 1: New generators have deadbands under 1 MW. It should be possible to write a standard that allows the units to provide Operating Reserve.
 - d. Example 2: It should be possible to write a standard to allow a load to provide supplemental Operating Reserve. If the control area it resides in can trip the load and has a real-time measurement of the power to the load.
- D. Cost of non-compliance with NERC standards.
 - a. Should (Is?) it covered in the NWPP Reserve Sharing Group for issues between control areas?
 - b. Should NWPP Reserve Sharing Group be modified to cover non-compliance of _____ and loads?
- E. IPP's moving to other Control Areas. (or actually forming their own control area). We should try to avoid this.
- F. Slice customer generation should meet any standard produced by NWPP Reserve Sharing Group.

Andy Law would like e-mails with any comments regarding the above. He will write up, distribute to the subgroup, then get a phone bridge set up for a discussion.

Gordon Dobson-Mack reports that the second Subgroup also has not had a chance to meet or discuss their topic. He suggested they meet today.

It was asked if this group is working on one, or several issues? Changing suppliers more than once a year? Seasonality? More than one supplier? It was suggested that they rather think in terms of:

- Low Cost
- More flexibility
- Ease of administration

Costs are to be expected for these additional flexibilities.

Gordon wants to pull together a proposal and e-mail/conference with the subgroup prior another meeting being scheduled.

Reviewed Items 6 and 7 from the Issues listing (from 01/28 meeting) and decided no additional discussion was forthcoming from this group.

#8 Charging OR for L-shaped schedules.

Dave Gilman had distributed a listing of Generic Operating Reserve Requirement Rules at the 01/28 meeting. In regards to an L-shaped schedule, he reaffirmed that the first leg (only) of a multi-leg schedule is charged. BPA may not see who the load is (outside the Control Area is even a possibility).

PBL → Centralia → Lancaster schedule would only be charged on the first PBL→Centralia portion.

Andy Law created an example of paying twice for OR:

If there was a schedule from a generator in the BPA Control area to the California ISO, and that generator trips, the TCH would be charged for OR (by BPAT) on the original schedule to CA, and for the schedule into the generator (if it came from another control area, that Control Area would have charged OR as well). He felt this was not an issue of great concern to him.

Dave Gilman requests that if anyone has questions on the rules he distributed, please let him know.

All agree that it would be simpler if the generator, rather than the Transmission Contract Holder (TCH) was charged for Operating Reserves. Prior to Oct 1, 2001, generators did pay for operating reserves.

The fact that FERC says the TCH should be charged is in conflict with a marketer's ability to purchase firm power which includes reserves under WSPP Service Schedule C. This reflects a disconnect between the market and reliability.

It was asked whether BPA's involvement in the new NWPP Operating Reserve reduced BPA's reserve requirement. This new program, implemented on Jan. 7 did not change BPA's costs or reduce the amount of reserves obligated to carry. These savings were realized when the pool was first formed, several years ago. Warren McReynolds explained the workings of the automatic reserve sharing program and the additional difficulties it would present with regards to frequency of electing and numbers of 3rd party self suppliers of OR.

For the presentation by this Workgroup to the larger Customer Forum Meeting scheduled the next day, the group went through the 8 issues again for a brief status.

1. 150 MW Floor on Self Supply: This is a work in progress. The customers will present a less restrictive alternative.
2. One Supplier per TCH
3. Allowing generators to self-supply
4. Rules for arranging for Interruptible Imports

These three items (#2-4) have been combined into one with an emphasis on flexibility. Also, election period was added to this group.

5. Ability to choose split between spinning and supplemental reserves. This topic needs more discussion. Control areas' systems today are designed to deploy spinning reserve prior to supplemental reserve. Implementation issues may prevent a change. To separate the two would be a change in philosophy. Also, the question is raised whether spinning reserves is more expensive? It was mentioned that WECC is looking at changing the % split of operation reserves.
6. In hour schedule change for those that self-supply. This item has been dropped by this group.
7. Selling firm power over NF transmission requires OR. This item has been dropped by this group.
8. Operating Reserve charges for L-shaped schedules. Examples will be given – based on Dave Gilman's paper.

This consolidation leaves really only 4 topics, two of which have formed subgroups (1 and 2).

Following the Workgroup meeting, a small group of people met with Gordon to review some of the issues related to the combined #2.

3rd Party supply:

- TCH notification should be on a scheduled basis (currently annually)
- TBL would review and decide if the 3rd party is an acceptable resource, and decide what needs to be done to implement.
- TBL tells TCH whether resource is accepted.
- What are the qualifications?
- Operating Agreement between the three parties
- 3rd party would sign agreement to provide service
- The larger group of customers should be asked who wants to do this---for the purpose of sharing cost

Election Period:

BPA's rate design is based on annual average costs. BPA would not recover all costs included in the current rate if the TCH changed suppliers less often than annually. So any change to less than one year would require rate design change. 2006?

One supplier, but with 3 month notice period:

Suppliers would need to be prequalified and have AGC requirements already installed. When should suppliers be declared? Currently July for Oct 1 implementation.

If a supplier did not perform (non-response), the supplier and the TCH are no longer allowed to supply.

Need to determine criteria for qualifying a company to supply.

How big is the box? 5 suppliers vs. 20 will make a difference in day-to-day implementation.